



JOHN NAIMO  
ACTING AUDITOR-CONTROLLER

## COUNTY OF LOS ANGELES DEPARTMENT OF AUDITOR-CONTROLLER

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

July 29, 2014

TO: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Mark Ridley-Thomas  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

FROM: John Naimo  
Acting Auditor-Controller

A handwritten signature in black ink that reads "John Naimo".

SUBJECT: **CHILDREN'S HOSPITAL LOS ANGELES – A DEPARTMENT OF  
PUBLIC SOCIAL SERVICES CAL-LEARN PROGRAM PROVIDER –  
CONTRACT COMPLIANCE REVIEW**

We completed a program and fiscal review of Children's Hospital Los Angeles (CHLA or Agency), which covered a sample of transactions from July 2012 through November 2013. The Department of Public Social Services (DPSS) contracts with CHLA, a non-profit organization, to operate the Cal-Learn Program, which assists CalWORKs participants that are teenage parents in completing their high school education. The contract services include recruiting and enrolling eligible participants, conducting Program orientations, handling case management, identifying and providing supportive services (i.e., child care, transportation, etc.), and assisting participants with enrolling and completing their high school education.

The purpose of our review was to determine whether CHLA appropriately accounted for and spent Cal-Learn Program funds to provide the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls, and compliance with their contract and other applicable guidelines.

DPSS paid CHLA approximately \$885,000 on a fixed-fee basis from July 2012 through November 2013. The contract requires the Agency to return or reinvest any unspent revenue. CHLA provides services to residents of the First, Second, and Third Supervisorial Districts.

### **Results of Review**

CHLA provided services to eligible participants, recorded and deposited DPSS payments timely, and Agency staff had the required qualifications. However, the Agency did not always comply with all of the County contract requirements. Specifically, CHLA inappropriately charged \$1,588 in non-payroll expenditures to the Cal-Learn Program that also benefits other programs. CHLA's response indicates that they reallocated all shared expenditures charged to the Cal-Learn Program using allowable methods. DPSS is working with the Agency to evaluate the appropriateness of the reallocations and to determine if any amount should be repaid to DPSS or reinvested in the Program.

Details of our review, along with recommendations for corrective action, are attached.

### **Review of Report**

We discussed our report with CHLA and DPSS in June 2014. CHLA's attached response indicates agreement with our findings and recommendations. DPSS will work with CHLA to ensure that our recommendations are implemented.

We thank CHLA management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

JN:AB:DC:AA:pn

Attachment

c: William T Fujioka, Chief Executive Officer  
Sheryl L. Spiller, Director, DPSS  
Theodore R. Samuels, Board Co-Chair, CHLA  
Cathy Siegel Weiss, Board Co-Chair, CHLA  
Richard Cordova, President & CEO, CHLA  
Public Information Office  
Audit Committee

**CHILDREN'S HOSPITAL LOS ANGELES  
CAL-LEARN PROGRAM  
CONTRACT COMPLIANCE REVIEW  
JULY 2012 THROUGH NOVEMBER 2013**

**ELIGIBILITY**

**Objective**

Determine whether Children's Hospital Los Angeles (CHLA or Agency) provided services to individuals who met the Cal-Learn Program eligibility requirements.

**Verification**

We reviewed the case files for 15 (7%) of the 214 participants who received services during November 2013 for documentation to confirm their eligibility for Cal-Learn Program services.

**Results**

CHLA had documentation to support all 15 participants' eligibility for Cal-Learn Program services.

**Recommendation**

None.

**PROGRAM SERVICES**

**Objective**

Determine whether CHLA provided the services required by their County contract and Cal-Learn Program guidelines, and whether the Program participants received the billed services.

**Verification**

We visited CHLA's service site, and reviewed the case files for 15 (7%) of the 214 participants who received services during November 2013.

**Results**

CHLA provided services in accordance with their County contract.

**Recommendation**

**None.**

**STAFFING QUALIFICATIONS**

**Objective**

Determine whether CHLA's staff had the qualifications required by their County contract.

**Verification**

We reviewed the personnel files for six (43%) of the 14 CHLA employees who worked on the Cal-Learn Program.

**Results**

CHLA's staff had the qualifications required by their County contract.

**Recommendation**

**None.**

**CASH/REVENUE**

**Objective**

Determine whether CHLA properly recorded revenue in their financial records, deposited cash receipts into their bank account timely, and that bank account reconciliations were reviewed and approved by Agency management.

**Verification**

We interviewed CHLA's management, and reviewed their financial records and November 2013 bank reconciliations.

**Results**

CHLA properly recorded revenue in their financial records, deposited Department of Public Social Services (DPSS) payments into their bank account timely, and Agency management reviewed and approved monthly bank reconciliations.

**Recommendation**

None.

**EXPENDITURES/COST ALLOCATION PLAN****Objective**

Determine whether expenditures charged to the Cal-Learn Program were allowable under their County contract, properly documented, and accurately billed. In addition, determine whether the Agency prepared their Cost Allocation Plan (Plan) in compliance with their County contract, and used the Plan to allocate shared expenditures appropriately.

**Verification**

We interviewed CHLA's personnel, reviewed the Agency's Plan, and financial records for seven non-payroll expenditures, totaling \$8,479, that the Agency charged to the Cal-Learn Program from September 2012 through November 2013.

**Results**

CHLA prepared their Plan in compliance with their County contract. However, the Agency inappropriately charged \$1,588 (19%) of the \$8,479 in non-payroll expenditures reviewed to the Cal-Learn Program. Specifically, CHLA charged 100% of the client event expenditures to the Cal-Learn Program, even though the events benefited County and non-County programs.

**Recommendations**

**Children's Hospital Los Angeles management:**

- 1. Reallocate all shared expenditures charged to the Cal-Learn Program during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any overbilled amounts.**
- 2. Ensure that all expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed.**

**PAYROLL AND PERSONNEL****Objective**

Determine whether CHLA charged payroll costs to the Cal-Learn Program appropriately, and maintained personnel files as required.

**Verification**

We traced the payroll costs for six employees, totaling \$9,540, for November 2013 to the Agency's payroll records and time reports. We also interviewed staff, and reviewed personnel files for six CHLA Cal-Learn Program staff.

**Results**

CHLA appropriately charged payroll costs to the Cal-Learn Program, and maintained personnel files as required.

**Recommendation**

None.

**CLOSE-OUT REVIEW****Objective**

Determine whether CHLA had any unspent revenue for the Cal-Learn Program for Fiscal Year (FY) 2012-13.

**Verification**

We traced the total revenues and expenditures from CHLA's FY 2012-13 close-out report to the Agency's accounting records, and to DPSS' payment records.

**Results**

CHLA's close-out report indicated that they had \$108,883 in unspent revenue for FY 2012-13. The Agency submitted a disposition plan to DPSS, which was approved. However, CHLA needs to revise their accounting records based on our recommendations above, provide DPSS with a revised close-out report for FY 2012-13, and work with DPSS to return or reinvest any unspent revenue.

**Recommendation**

3. Children's Hospital Los Angeles management revise their accounting records based on the recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2012-13, and work with the Department of Public Social Services to return or reinvest any unspent revenue.



DIVISION OF  
ADOLESCENT MEDICINE

June 17, 2014

John Naimo, Acting Auditor-Controller  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
350 South Figueroa Street, 8th Floor  
Los Angeles, CA 90071

SUBJECT: CHILDREN'S HOSPITAL LOS ANGELES CONTRACT COMPLIANCE REVIEW: July 2012 through November 2013

Dear Mr. Naimo,

In response to the draft Contract Compliance Review, Children's Hospital Los Angeles would like to provide our responses to the recommendations:

**Recommendation 1. Reallocate all shared expenditures charged to the Cal-Learn Program during the contract term, provide the Department of Public Social Services with supporting documentation, and repay any overbilled amounts.**

- CHLA is in agreement with the Auditor-Controller's recommendation and has reviewed and reallocated all shared expenditures charged to the Cal-Learn Program for the contract term based on an allowable equitable basis. CHLA has provided supporting documentation to the Auditor-Controller of the results of the reallocation which indicates CHLA under billed the Cal-Learn Program, therefore no repayment is necessary.

**Recommendation 2. Ensure that all expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed.**

- CHLA agrees with the Auditor-Controller's recommendation and will ensure that all expenditures charged to the Cal-Learn Program are allowable, properly documented, and accurately billed through implementation of allowable methodology.

**Recommendation 3. CHLA management revise their accounting records based on the recommendations above, provide the Department of Public Social Services with a revised close-out report for Fiscal Year 2012-13, and work with the Department of Public Social Services to return or reinvest any unspent revenue.**

- CHLA has revised its accounting records based on the recommendations above and no repayment is required to the Department of Public Social Services. CHLA has submitted a disposition plan which has been approved by DPSS.

Thank you for the opportunity to provide our responses to the department's recommendations. If you have any questions or need additional information please contact me at (323) 361-2353, or [pbrown@chla.usc.edu](mailto:pbrown@chla.usc.edu)

Thank you,

A handwritten signature in black ink that reads "Priscilla Brown". The signature is written in a cursive style with a large initial "P" and a long, sweeping underline.

Priscilla Brown  
Manager, Division Budget  
Department of Adolescent Medicine  
Children's Hospital Los Angeles